

Message Text

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C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 10109

COPENHAGEN FOR SECRETARY BERGLAND'S PARTY

STATE PASS USDA/FAS/AA/EULER/US-USSR SECRETARIAT

E.O. 11652: GDS
TAGS: EAGR, OVIP, UR, US
SUBJECT: AGATT SITUATION RECAP AND POLICY OVERVIEW FOR
USSR

1. FOLLOWING SUMMARY OF AGATT'S VIEWS ON SOVIET AGRICUL-
TURAL SITUATION AND U.S. OBJECTIVES FOR HIS VISIT IS
FURNISHED BECAUSE BRIEFING TIME IN MOSCOW WILL BE
INADEQUATE.

2. RECAP OF CURRENT SITUATION: SOVIET LEADERS ARE PROBABLY-
FEELING SOMEWHAT MORE CONFIDENT ABOUT AGRICULTURE, IF THIS
IS POSSIBLE IN A COUNTRY WHERE THE SEVERE CLIMATE CAN
CAUSE HUGE CROP LOSSES; E.G., 40 PERCENT BELOW AVERAGE
GRAIN OUTPUT IN 1975. THE 1976 RECORD CROP BROUGHT PAR-
TIAL RECOVERY OF THE MEAT SECTOR, THEIR MAJOR SHORTCOMING.
THE 1977 GRAIN CROP WAS DISAPPOINTING, BUT FORWARD
MOMENTUM ON LIVESTOCK PRODUCTION WAS MAINTAINED LAST YEAR,
AND THE OUTLOOK IN 1978 IS FOR RECORD PRODUCTION. THIS
WOULD, OF COURSE, NOT HAVE BEEN POSSIBLE WITHOUT 1977-78
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IMPORTS OF GRAIN, MAINLY U.S. (SALES OF U.S. GRAIN STAND
AT ABOUT 13 MILLION TONS FOR THE AGREEMENT YEAR). IT IS,
OF COURSE, TOO EARLY TO MAKE ANY RELIABLE FORECASTS ON
1978 CROPS. WE HAVE COMPLETED OUR REGULAR SPRING 4,000
KILOMETER CROP SURVEY BY AUTO IN OLD RUSSIA. WINTERKILL
ON THE WHOLE WAS NOT SEVERE EXCEPT IN PARTS OF THE UKRAINE
AND SOUTHWESTERN SECTIONS OF THE RSFSR. SOIL MOISTURE

CONDITIONS IN THE ENTIRE AREA ARE GENERALLY VERY GOOD. IN SOME AREAS, IT HAS BEEN TOO WET, HOLDING BACK PLANTING. SOIL MOISTURE, DERIVED FROM WEATHER DATA, SHOW CLOSE TO NORMAL CONDITIONS FOR ALL OTHER AREAS OF THE COUNTRY EXCEPT SECTIONS OF WESTERN SIBERIA. THE SOVIET GRAIN TARGET OF 220 MILLION TONS FOR THIS YEAR COULD IN OUR OPINION BE REACHED, BUT IT WILL REQUIRE BETTER THAN AVERAGE WEATHER THROUGHOUT THE REMAINDER OF THE GROWING SEASON. AVERAGE CONDITIONS -- WHICH ARE SIMILAR TO HENS' TEETH -- WOULD YIELD A CROP OF 190-200 MILLION.

INADEQUATE MEAT OUTPUT, AND AN INADEQUATE GRAIN BASE TO SUPPORT IT, ARE THE SOVIET'S MAIN AGRICULTURAL PROBLEMS. AVERAGE PER CAPITA CONSUMPTION OF MEAT IS ABOUT 120 LBS. (COMPARED WITH 225 U.S.) AND WILL INCREASE THIS YEAR BY ONLY A FEW POUNDS. THE MINIMUM CONSUMER EXPECTATION IS FAR ABOVE THIS LEVEL, PROBABLY AT LEAST 175 POUNDS. INVESTMENT RATE IN AGRICULTURE HAS BEEN IMMENSE (25 PERCENT OF TOTAL INVESTMENT SINCE 1970). THEIR TECHNOLOGY BASE HAS IMPROVED SUBSTANTIALLY. MOST SUCH INCREMENTS AND PLANNING HAVE BEEN SOUND, BUT WEAKNESSES REMAIN. NEW GRAIN STORAGE CONSTRUCTION IS PROCEEDING SLOWLY FOR EXAMPLE, AND THEY WILL PROBABLY NOT REPEAT NOT ACHIEVE THEIR GOAL OF 30 MILLION TONS BY 1980. WHEN WILL THE USSR REACH SELF-SUFFICIENCY IN GRAIN? THIS WOULD REQUIRE AVERAGE ANNUAL GRAIN PRODUCTION IN THE
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CURRENT PERIOD OF SOMEWHERE AROUND 225-30 MILLION TONS. THIS IS UNACHIEVABLE IN OUR VIEW. IN ADDITION, IN THIS IS A CAT-CHASING-TAIL SITUATION SINCE UNSATISFIED MEAT DEMAND MANDATES A 30 PERCENT INCREASE IN MEAT SUPPLY RIGHT NOW. WE DOUBT THAT SUCH GRAIN SELF-SUFFICIENCY COULD BE REACHED BEFORE 1985 EARLIEST WITHOUT SUBSTANTIALLY ABOVE AVERAGE WEATHER. THIS DOES NOT, REPEAT NOT, TRANSLATE TO LARGE GRAIN IMPORTS EVERY YEAR OR EVEN PRECLUDE MODERATE GRAIN EXPORT SURPLUSES IN SOME YEARS. WHAT IT MEANS IS A CONTINUATION OF A PATTERN OF SUBSTANTIAL BUT SPORADIC IMPORT REQUIREMENTS IN 2-4 YEARS OUT OF TEN. AVERAGE ANNUAL IMPORTS OF U.S. GRAIN BY SOVIETS IN THIS PERIOD ARE GUESSTIMATED AT THE 10-12 MILLION TON LEVEL.

3. U.S. AGRICULTURAL POLICY OBJECTIVES: VISIT SHOULD BE TARGETED ON CHANGING THE SOVIET LEADERSHIP'S CURRENT MIOPTIC, HEAD-IN-SAND CONVICTION THAT THE SOVIET UNION WILL BE ABLE TO REACH SELF-SUFFICIENCY EVERY YEAR OR THAT THE WEST, MAINLY THE U.S., WILL SUPPLY THEM WITH THE GRAIN THEY NEED. IDEALLY FROM THIS REALIZATION WE SHOULD BE ABLE TO OBTAIN MORE COOPERATION IN PROVIDING NEEDED INFORMATION ON FUTURE SOVIET GRAIN NEEDS AND THE

CURRENT CROP SITUATION.

4. THE SECRETARY'S MESSAGE: SIMPLY STATED THE SECRETARY WILL BE SAYING TO THE SOVIETS: A) THANKS FOR PAST IMPORTS OF GRAIN AND OTHER COMMODITIES, ESPECIALLY SOYBEANS; B) CONGRATULATIONS ON THE AGRICULTURAL PROGRESS YOU ARE MAKING; C) IT'S A PITY THAT YOUR CLIMATE IS SO DIFFICULT THAT GRAIN AND FEEDSTUFFS SELF-SUFFICIENCY IN THE NEAR FUTURE LOOKS EXTREMELY DOUBTFUL, THUS MAKING ACHIEVEMENT OF MEAT GOALS IMPOSSIBLE WITHOUT IMPORTS; D) THE U.S. WANTS TO FULLY SUPPLY THE USSR WITH GRAIN AND SOYBEANS IN OUR MUTUAL INTERESTS TO THE EXTENT THAT WE ARE ABLE AND WE WANT TO FULLY NORMALIZE GRAIN TRADE WITH YOU; E)

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THE U.S. CAPABILITY (AND OTHER WESTERN NATIONS) TO DO SO, HOWEVER, IS UNFORTUNATELY LIMITED BECAUSE THE EFFECT OF HUGE SOVIET GRAIN IMPORTS ON DOMESTIC AND WORLD PRICES OF BOTH GRAIN AND MEAT CAN BE TOO GREAT; F) THE U.S. THEREFORE MUST HAVE THE SOVIET GOVERNMENT'S ASSURANCE THAT THIS WILL NOT HAPPEN, I.E., THE GRAIN AGREEMENT (AND AGRICULTURAL AGREEMENT) WITH IT'S GUARANTEES OF MINIMUM ANNUAL PURCHASES, REQUIREMENTS FOR EXCHANGE OF INFORMATION FOR PLANNING PURPOSES AND SALES LIMITATIONS, ALL OF WHICH MAXIMIZE SOVIET IMPORTS OF U.S. GRAIN AND MINIMIZE MARKET DISRUPTION THEREFROM; G) WE MUST PREVENT A REPETITION OF 1972 WHEN SOVIET GRAIN PURCHASES ARE THOUGHT BY PEOPLE WITH SOME REASON TO HAVE CAUSED SHARP RISES IN FOOD PRICES IN NON-SOCIALIST COUNTRIES. AROUSED PUBLIC OPINION, IF THIS WERE TO RECUR, COULD FORCE THE U.S. TO SHARPLY REDUCE OR EVEN SUSPEND GRAIN EXPORTS TO THE SOVIET UNION; H) TO SUMMARIZE,

COUCHED POLITELY, WE SHOULD SAY THAT THE USSR NEEDS U.S. GRAIN; WE WANT, NOT MUST, SELL IT TO YOU AND THE SOVIET SIDE MUST COOPERATE IN MAKING IT POSSIBLE FOR US TO CONTINUE AND EXPAND THIS MUTUALLY BENEFICIAL RELATIONSHIP. THIS MEANS JOINTLY TAKING ALL NECESSARY STEPS TO MINIMIZE EXTREME MARKET IMPACTS AND TO ASSURE WESTERNERS THAT FOOD PRICE RISES WILL NOT RESULT FROM FUTURE SOVIET GRAIN

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PURCHASES.

5. MINISTRY OF AGRICULTURE DISCUSSIONS: IT IS IMPORTANT TO REMEMBER THAT THIS MINISTRY IS ONLY RESPONSIBLE FOR FARM OUTPUT AND NOT, REPEAT NOT, TRADE. EVEN THOUGH THE AGRICULTURAL AGREEMENT CONTAINS CLAUSES ON FORWARD ESTIMATES OF TRADE, AS WELL AS CROP PRODUCTION, IT WILL ACTUALLY REQUIRE A SOVIET GOVERNMENT (AND PARTY) DECISION TO OBTAIN TRADE REQUIREMENTS OR IMPROVED ACCESS TO DATA, AREAS AND INSTITUTIONS. FYI, THIS IS A GOVERNMENT TO GOVERNMENT AGREEMENT AND THIS MINISTRY AND USDA ARE THE RESPECTIVE EXECUTORS OF THE AGREEMENT.

6. PRACTICAL GOALS OF VISIT: THESE ARE WELL SUMMARIZED IN MARCH 10 LETTER FROM SCHOONOVER TO HATHAWAY. TOON

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